

Open Meeting Agenda Item
ORIGINAL



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COMMISSIONERS

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ARIZONA CORPORATION COMMISSION

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January 11, 2019

Docket Control
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

Arizona Corporation Commission
DOCKETED

JAN 11 2019

DOCKETED BY
[Signature]

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AZ CORP COMMISSION
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2019 JAN 11 P 3:47

Re: WS-01303A-17-0257- In the Matter of the Application of EPCOR Water Arizona Inc. for a Determination of the Current Fair Value of its Utility Plant and Property and for Increases/decreases in its Rates and Charges Based Thereon for Utility Service by its Agua Fria, Anthem, Chaparral, Havasu, Mohave, North Mohave, Paradise Valley, Sun City, Sun City West, Tubac, and Willow Valley Water Districts and for Consideration of Consolidation Proposals.

Commissioners and Interested Parties,

I am writing to respond to a concern raised by an EPCOR customer in this docket regarding comments that were made during the campaign this fall. The customer attached to her comments a news article that reported that at a campaign event in October all four of the candidates, including me, "opposed consolidation of utility companies."

This is an inaccurate description of the positions I described at the meeting and throughout the campaign. I did not prejudice any case that is before the Commission or any case that could come before the Commission. At the meeting described in the article, I informed the audience that as a sitting Commissioner I could not address the specifics of the EPCOR water rate case. I shared that I had thoroughly evaluated the facts presented in the wastewater consolidation case that had previously been decided by the Commission and that I would have voted against that consolidation had I been on the Commission at the time. I explained that my decision on the pending water case would not be made until all the evidence is taken and I have had the opportunity to hear directly from all the parties at an open meeting of the full Commission.

Certainly, the policy of consolidation was frequently an issue raised on the campaign trail. Without addressing pending cases, I often described that there are situations when consolidation can be in the interest of all affected ratepayers and there are other situations where consolidations will benefit some ratepayers at the expense of others through cross subsidization. I explained that when systems are similarly situated and share a common cost of service then consolidation may make sense as it can eliminate redundant costs and benefit all ratepayers. On the other hand, if districts have widely different costs of service then a consolidation would inappropriately shift the costs of the expensive system to the ratepayers of the low-cost system. And, as my quote in the article indicated, "I oppose cross subsidization,

which is what these consolidations really are," referring to consolidations that shift costs of one system to the ratepayers of another.

I do believe we need to be cautious of allowing widespread cross subsidization of different systems. Whenever a case proposing consolidation comes before me at the Commission this is the approach that I will use to determine whether I think the consolidation is appropriate and in the best interest of each ratepayer. I will evaluate the facts of each case independently and make a decision on each case after all parties have had a chance to present their cases before the Commission.

Although I spoke about consolidation as a Commission policy, I did not at any point address the EPCOR water case or opine on how consolidation may apply in that case. The only mention of the EPCOR water case that I ever made on the campaign trail was to inform voters that I have not yet determined a position on that case and that I will only after the parties have been heard at the open meeting of the Commission.

If anyone has further questions on this issue, I am happy to respond to them in the docket or address them at the open meeting.

Sincerely,

A handwritten signature in black ink, appearing to read "Justin Olson", with a stylized flourish at the end.

Commissioner Justin Olson

On this 11th day of January, 2019, the foregoing document was filed with Docket Control as a Correspondence From Commissioner, and copies of the foregoing were mailed on behalf of Justin Olson, Commissioner - A.C.C. to the following who have not consented to email service. On this date or as soon as possible thereafter, the Commission's eDocket program will automatically email a link to the foregoing to the following who have consented to email service.

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